

## Message Text

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DRAFTED BY EUR/EE:S FROMOWITZ:MHF

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TO AMEMBASSY BELGRADE IMMEDIATE

AMEMBASSY MOSCOW

C O N F I D E N T I A L STATE 010416

FROM ANDREWS; BELGRADE FOR WORTZEL, MOSCOW FOR LUERS

E.O. 11652: GDS

TAGS: OGEN

SUBJECT: OFFICIAL/INFORMAL

1. I AM PROVIDING BELOW THE TEXT OF A DRAFT TARNOFF-BRZEZINSKI (ALREADY CLEARED BY COMMERCE AND TREASURY) RESPONDING TO NSC MEMO OF DECEMBER 28 WHICH REQUESTED OUR VIEWS ON CREATION OF A JOINT ECONOMIC COMMISSION WITH YUGOSLAVIA. SINCE RESPONSE DUE IN S/S BY COB MONDAY, APPRECIATE ANY COMMENTS SOONEST. THIS SUBJECT WAS DISCUSSED AT JANUARY 12 INTERAGENCY MEETING ON TITO VISIT (SEE SEPTEL REPORT) AND AT FOLLOW-UP MEETING TODAY WITH COMMERCE, TREASURY AND EB/EWT, EUR/RPE AND EUR/P. THERE IS STRONG RESISTANCE BY TREASURY, EWT AND RPE TO GOING BEYOND PRESENT PROPOSAL AND I BELIEVE THAT WHAT WE HAVE COME UP WITH WOULD BE USEFUL EVEN IF NOT ENTHUSIASTICALLY EMBRACED BY THE YUGOSLAVS. AMONG POSSIBLE TOPICS THAT COULD BE ADDRESSED

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BY WORKING GROUPS ARE: DISCREPANCY IN TRADE STATISTICS (BELGRADE OR WASHINGTON); YUGOSLAV IMPORT REGIME (BELGRADE); GSP PROCEDURES AND PROSPECTS (WASHINGTON); YUGOSLAV LAWS ON BANKING AND INVESTMENT (BELGRADE); SPECIFIC TRADE OPPORTUNITIES, PERHAPS RELATED TO EMBASSY IN-COUNTRY VISITS PROGRAM (BELGRADE OR WASHINGTON); YUGOSLAV COUNTER TRADE POLICY (BELGRADE); EXPORT CONTROL QUESTIONS (WASHING-

TON); AND INTERNATIONAL ECONOMIC POLICY (WASHINGTON OR

BELGRADE). (THERE IS RESISTANCE TO INCLUSION OF LAST TOPIC BY TREASURY AND EB, WHICH WOULD PREFER TO LIMIT TO BILATERAL ISSUES.) WELCOME BELGRADE'S SUGGESTIONS FOR TOPICS.

2. BEGIN TEXT. THE DEPARTMENT, IN COORDINATION WITH COMMERCE AND TREASURY, HAS EXPLORED THE ADVISABILITY OF ESTABLISHING A GOVERNMENTAL JOINT ECONOMIC COMMISSION BETWEEN THE UNITED STATES AND YUGOSLAVIA. (A NONGOVERNMENTAL U.S.-YUGOSLAV ECONOMIC COUNCIL ALREADY EXISTS.)

IN THE PAST THERE HAS BEEN ONLY LIMITED ATTENTION GIVEN TO THE CREATION OF A GOVERNMENTAL COMMISSION ALONG THE LINES OF THE POLISH, ROMANIAN AND SOVIET MODELS. BECAUSE OF YUGOSLAVIA'S DECENTRALIZED, MARKET-ORIENTED ECONOMY, AMERICAN FIRMS HAVE USUALLY BEEN ABLE TO RESOLVE MOST TRADE MATTERS DIRECTLY WITH YUGOSLAV ENTERPRISES AND TO BYPASS THE GOVERNMENTAL FRAMEWORK. SOME MECHANISM WOULD BE USEFUL, HOWEVER, IN ORDER BOTH TO COORDINATE U.S. GOVERNMENT POSITIONS ON CERTAIN ECONOMIC ISSUES CONCERNING YUGOSLAVIA AND TO PROVIDE OPPORTUNITIES FOR BILATERAL DISCUSSIONS ON CURRENT ECONOMIC AND COMMERCIAL MATTERS. THERE IS GENERAL AGREEMENT THAT CREATION OF A FORMAL JOINT ECONOMIC OR COMMERCIAL COMMISSION, SIMILAR TO THE

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POLISH, ROMANIAN AND SOVIET EXAMPLES, WOULD BE UNDESIRABLE AND UNWISE. IN THE FIRST PLACE, IT WOULD RUN COUNTER TO OUR POLICY (HEARTILY ENCOURAGED BY THE YUGOSLAVS) OF EMPHASIZING YUGOSLAVIA'S DIFFERENCES FROM THE CENTRALIZED, STATE-CONTROLLED WARSAW PACT ECONOMIES. AND SECONDLY, THERE IS A CONSENSUS WITHIN THE USG THAT THE POLISH AND ROMANIAN COMMISSIONS HAVE PRODUCED LITTLE OF REAL VALUE TO JUSTIFY THE AMOUNT OF TIME AND EFFORT PUT INTO THEM BY SENIOR OFFICIALS. IT HAS ALSO PROVEN TO BE DIFFICULT TO SCALE DOWN THE SIZE OR LOWER THE LEVEL OF SUCH BODIES ONCE ESTABLISHED.

WE THEREFORE PROPOSE TO SET UP TWO ECONOMIC/COMMERCIAL WORKING GROUPS WHICH WOULD MEET ALTERNATELY EVERY FOUR TO SIX MONTHS IN WASHINGTON AND BELGRADE, TO BE CO-CHAIRED HERE BY ASSISTANT SECRETARY OF COMMERCE WEIL AND THE YUGOSLAV AMBASSADOR AND IN BELGRADE BY AMBASSADOR EAGLE-BURGER AND AN APPROPRIATE LEVEL YUGOSLAV OFFICIAL (PRESUMABLY FROM THE FEDERAL SECRETARIAT FOR FOREIGN TRADE). IN THIS MANNER THERE WOULD BE NO REQUIRED TRAVEL BY SENIOR OFFICIALS. THE WORKING GROUPS WOULD OPERATE AS INFORMALLY AND FLEXIBLY AS POSSIBLE, WOULD HAVE NO NEGOTIATING AUTHORITY, AND, IN ORDER TO AVOID THE SPECIFIC PITFALLS

OF THE ROMANIAN AND POLISH COMMISSIONS, WOULD ISSUE  
NEITHER A FORMAL AGENDA NOR A COMMUNIQUE. MEETINGS OF THE  
WORKING GROUPS COULD BE SUPPLEMENTED AS NECESSARY AND AS

AGREED BY THE TRAVEL OF EXPERTS TO THE OTHER CAPITAL AS  
WELL AS BY OCCASIONAL HIGH-LEVEL GOVERNMENT VISITS AS  
DEEMED APPROPRIATE, BUT THERE WOULD BE NO COMMITMENT TO  
REGULARIZE CABINET-LEVEL VISITS. FURTHERMORE, WE WOULD  
ESTABLISH THESE WORKING GROUPS ON AN EXPERIMENTAL BASIS  
AND REVIEW THEIR UTILITY AFTER A YEAR OR SO TO DETERMINE  
IF THEY SHOULD BE ABOLISHED, CONTINUED, OR MODIFIED.

IN ADDITION TO ASSISTANT SECRETARY WEIL AS CHAIRMAN, THE  
U.S. SIDE OF THE WASHINGTON WORKING GROUP WOULD CONSIST OF  
REPRESENTATIVES FROM STATE, TREASURY, OPIC, EXIMBANK,  
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AGRICULTURE, STR AND THE NSC. (CIA WOULD PARTICIPATE IN  
USG COORDINATION SESSIONS.)  
WE PROPOSE TO PRESENT THIS IDEA TO THE YUGOSLAVS BEFORE  
THE END OF JANUARY AND TO SUGGEST THAT THE FIRST MEETING  
TAKE PLACE IN BELGRADE IN THE SECOND HALF OF MARCH WITH  
THE PRINCIPAL TOPIC TO BE ECONOMIC/COMMERCIAL FOLLOW-UP  
TO THE TITO VISIT. END TEXT. CHRISTOPHER

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